Annual Report

GRANDROY MINES LIMITED

FOR THE YEAR ENDED DECEMBER 31, 1967

GRANDROY MINES LIMITED

AUTHORIZED CAPITALIZATION	5,000,000 shares of no par value not to exceed $5,000,000.00 in the aggregate.

DIRECTORS

PHILIP E. BOYLEN	Willowdale, Ontario
D. W. GORDON, F.C.I.S.	Toronto 5, Ontario
MARK E. BUTLER	Toronto 14, Ontario
CHARLES B. BRANNIGAN	Toronto 16, Ontario
GORDON L. MOORE	Islington, Ontario

OFFICERS

PHILIP E. BOYLEN	President
D. W. GORDON, F.C.I.S.	Vice-President
GORDON L. MOORE	Secretary-Treasurer
CHARLES B. BRANNIGAN	Assistant-Secretary

HEAD OFFICE

908 - 330 Bay Street - - - - - - - - - - Toronto, Ontario

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA
366 Bay Street - - - - - - - - - - - - Toronto 1, Ontario

AUDITORS

LOFTUS A. ALLEN AND COMPANY
Chartered Accountants - - - - - - - - Toronto, Ontario

GRANDROY MINES LIMITED

Directors' Report

To the Shareholders:

The Balance Sheet and financial statements of the Company for the fiscal year ended December 31st, 1967, and notes relative thereto and the report of the Auditors are submitted for your consideration.

The exploration work carried out by the Company during the 1967 field season was in large part within the Province of Quebec. A brief resume of work carried out, and as now proposed for 1968 follows:

BAIE JOHAN BEETZ AREA — QUEBEC:

During February 1967, the Company staked a block of 130 contiguous mining claims, approximately 5,200 acres, situate mainly in Desherbiers and Johan Beetz Townships, Duplessis County, Quebec. The property lies immediately north of Anticosti Island on the north shore of the Gulf of St. Lawrence.

Early in June 1967 an airborne survey revealed that some thirty-nine abnormally radioactive zones occur on the property. Nineteen of the anomalies were inspected on the ground during the year, and two were opened by rock trenching.

The chief uranium minerals of one zone, both trenched and diamond drilled, are uraninite or pitchblende and possibly thucolite. Some thorium is present, but chemical assays indicate that seventy per cent of the radioactive mineralization is uranium oxide.

Three rock trenches cross the latter mineralized zone. The weighted average of samples representing a combined length of 282 feet is 0.227% U_3O_8 radiometric equivalent. Diamond drilling has intersected pegmatite of a grade lower than that of the trenches. The average grade of the intersections of eight holes, which in the opinion of the Company's Consulting Geologist represent one continuous mineralized structure, is 0.069% U_3O_8 radiometric equivalent for an average vertical thickness of 7.5 feet. The corresponding grade of the trenches is 0.227% and the weighted average of the trenches and drill hole intersections is 0.199, while the arithmetic average is 0.148. The latter indicates that the grade of the continuous zone is at least 0.103% U_3O_8 or 2.06 lbs. of uranium oxide per short ton. To date only about 35,000 tons of this material has been indicated by diamond drilling and trenching. No barren zones have been found in the apparently continuous body, which at depth may extend beyond the intersection. In spite of its excellent grade, the mineralization may not be termed ore unless large tonnage is eventually outlined.

An appreciable amount of recommended general exploration work was performed on the property in 1967. The recommendations included considerable line cutting, surface prospecting, radiometric surveying and 7,000 feet of diamond drilling. Of the latter, 4,700 feet have been completed. The cost of the recommended programme, including about $90,000.00 which has already been spent on limited diamond drilling and partial exploration of the claims, is estimated at $150,000.00.

Exploration work at this property was interrupted during the early part of December, 1967, under costly winter conditions. The remainder of the recommended programme of exploration will be pursued after the break-up season, probably in early June, 1968.

ROY TOWNSHIP, QUEBEC:

Pursuant to the share profit Agreement dated January 5th, 1967, entered into by the Company with Campbell Chibougamau Mines Ltd. (No Personal Liability) whereby Campbell Chibougamau agreed to and has provided funds, personnel, equipment and services necessary to bring into production certain mining claims held by the Company in the Township of Roy, in the Province of Quebec, now held under a Mining Lease. Campbell Chibougamau is treating the ore at its milling plant and selling the recovered metals in the usual manner. After repayment to Campbell Chibougamau of all capital and preproduction expenses incurred by it, the Company and Campbell Chibougamau shall share equally in the net profits (as defined) derived from the mine.

Campbell Chibougamau with the approval of the Company is entitled to explore the remainder of the mining claims, held by the Company in Roy Township, on a cost sharing basis and should Campbell Chibougamau determine to mine and mill any additional ore which may be discovered then the expenses incurred in such exploration shall be repaid to both parties from first profits and the bringing of such orebody into production, shall be dealt with in the manner aforementioned.

The share profit Agreement shall continue in full force and effect until such time such orebodies on the property of the Company, now known or hereinafter discovered within the five years from the date of the said Agreement, are worked out, except that Campbell Chibougamau shall at its discretion be entitled to cease production at such time as it shall see fit with not less than thirty days prior notice of cessation of production to be given to the Company.

From latest results obtainable, it is indicated that commencing mid-1968 the Company can anticipate from production on a continuing basis a net amount in excess of $50,000.00 per month being its share from the Company's property being custom mined and milled under the share profit Agreement with Campbell Chibougamau.

GENERAL:

The Company will continue to pursue an aggressive search for minerals throughout Canada and will utilize funds which may be available from the proposed new financing and income from the joint venture share profit Agreement.

SPECIAL BUSINESS:

Shareholders of the Company at the Annual and a General Meeting of Shareholders to be held on March 5th, 1968, will be asked to approve an application by the Company to the Lieutenant-Governor of the Province of Ontario for Supplementary Letters Patent increasing the authorized capital of the Company by creating an additional 5,000,000 shares without par value ranking on a parity with the existing 5,000,000 shares of the Company; provided that the 10,000,000 shares shall not be issued for a consideration exceeding in amount or value the sum of $10,000,000.00 or such greater amount as the Board of Directors of the Company deems expedient on payment to the Treasurer of Ontario of the fees payable on such amount and on issuance by the Provincial Secretary of a certificate for such payment. The increase in the authorized capital of the Company is necessary in order that the Company may offer to its Shareholders rights to purchase additional shares in the capital of the Company to provide the funds needed to continue the exploration and development of its mining properties, and to continue its prospecting and exploration activities.

Subject to the issue of Supplementary Letters Patent to increase its authorized capital as aforesaid, the Company will offer to its Shareholders of record at a date to be fixed by the Directors (such date to follow

as closely as possible the issue of Supplementary Letters Patent), the right to purchase at a price of 40¢ per share one additional share in the capital of the Company for every five shares held at the record date. Subscriptions for fractional shares will not be accepted. The new issue will not be registered under The Securities Act of 1933 of the United States of America, and the shares will not be offered to Shareholders whose recorded addresses are in the United States or any of its territories or possessions. The rights to purchase such shares will be transferable and it is expected that they will be traded in on the Toronto Stock Exchange and the Canadian Stock Exchange until shortly before they expire. There is understood to be no objection to a U.S. shareholder selling his rights. The offering of such shares will terminate four weeks after the record date. It is expected that the record date will be established as a date in the month of March subject to and following acceptance for filing of notice of the proposed offering by the Toronto and Canadian Stock Exchanges from registration for the shares to be offered to the Shareholders under The Securities Act, 1966 (Ontario) and the Quebec Securities Act, and following Supplementary Letters Patent to increase the capital of the Company.

Mikaris Holdings Limited, a registered Underwriter under The Securities Act, 1966 (Ontario), acting as the principal, has agreed with the Company to purchase at the said price of 40¢ per share at the termination of the aforesaid rights offering, such number of treasury shares of the Company (if any), the proceeds of which when added to the proceeds of the sale of shares upon exercise of rights of Shareholders will provide the Company with the sum of $200,000.00.

Any shares which the underwriter may be required to purchase under its aforesaid commitment may be offered in primary distribution thereafter only in accordance with the provisions of The Securities Act, 1966. If called upon to do so by the underwriter, the Company must file a statement of Material Facts respecting such shares.

The Company is making application to the Ontario Securities Commission and the Quebec Securities Commission for an exemption from registration under the respective Securities Acts of Ontario and Quebec for the shares which shall be purchased by Shareholders of the Company under the rights offering.

Respectfully submitted on behalf of the Board of Directors,

PHILIP E. BOYLEN,
President.

Toronto, Ontario,
February 12th, 1968.

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Balance Sheet as

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ASSETS

		1967	1966
Cash			$ 156
Accounts receivable		$ 11,350	158
Receivable from Campbell Chibougamau Mines Ltd. (No Personal Liability)		150,434	
Investment in shares of other mining companies — at cost (quoted market value, 1967 — $51,635, 1966 — $101,977)		154,420	307,885
Mining license, development licenses and unpatented mining claims — at cost		146,789	156,214
Fixed Assets — at cost, unchanged			
Automotive equipment	$ 4,123		
Mobilehomes	5,700		
	$ 9,823		
Less: Accumulated depreciation (1966 — $7,226)	8,005	1,818	2,597
Deferred development and administrative expenditures — per statement		440,291	347,272
		$ 905,102	$ 814,282

Approved on behalf of the Board:

P. E. BOYLEN, Director.

G. L. MOORE, Director.

Auditors'

NES LIMITED

e Laws of Ontario)

December 31, 1967

figures for 1966)

LIABILITIES

	1967	1966
Bank overdraft	$ 1,103	
Demand loan	25,000	
Accounts payable and accrued liabilities	89,309	$ 2,491
	115,412	2,491
Shareholders' Equity		
Capital Stock		
Authorized		
5,000,000 Shares of no par value		
Issued and Fully Paid		
4,850,005 Shares	$1,638,755	$1,638,755
Capital Deficit — per statement	849,065	826,964
	789,690	811,791
	$ 905,102	$ 814,282

NOTE TO FINANCIAL STATEMENTS
December 31, 1967

Under the terms of an agreement dated January 5, 1967, Campbell Chibougamau Mines Ltd. (No Personal Liability) has provided funds, personnel, equipment and services necessary to bring into production mining claims owned by Grandroy Mines Limited in the Township of Roy in the Province of Quebec presently held under a Mining Lease. Campbell Chibougamau Mines Ltd. (No Personal Liability) is treating the ore at its milling plant and selling the recovered metals in the usual manner. After repayment to Campbell Chibougamau Mines Ltd. (No Personal Liability) of all capital and preproduction expenses incurred by it, Grandroy Mines Limited and Campbell Chibougamau Mines Ltd. (No Personal Liability) shall share equally in the net profits (as defined) derived from the mine.

rt attached.

LOFTUS A. ALLEN & COMPANY

CHARTERED ACCOUNTANTS

SUITE 1910 - P.O. BOX 151
TORONTO DOMINION TOWER
TORONTO-DOMINION CENTRE
TORONTO 1, CANADA

TELEPHONE 363-8348
AREA CODE 416

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of

GRANDROY MINES LIMITED

as at December 31, 1967 and the statements of capital deficit, deferred expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Loftus A. Allen & Co

Toronto, Ontario,
February 13,1968.

Chartered Accountants

GRANDROY MINES LIMITED

Statement of Capital Deficit

For the Year Ended December 31, 1967
(With comparative figures for 1966)

	1967	1966
BALANCE, JANUARY 1	$ 826,964	$ 457,095
ADD		
Cost of mining claims and options abandoned	18,427	13,666
Development costs thereon	27,815	106,203
	46,242	119,869
	$ 873,206	$ 576,964
ADD		
Loss on sale of investments	126,293	
Investment in the shares of Jacquet River Mines Limited, written off		250,000
	$ 999,499	$ 826,964
DEDUCT		
Net profit from joint venture (50%) with Campbell Chibougamau Mines Ltd. (No Personal Liability)	150,434	
BALANCE, DECEMBER 31	$ 849,065	$ 826,964

Statement of Income and Expense

From Joint Venture with
Campbell Chibougamau Mines Ltd.
(No Personal Liability)
For the Year Ended December 31, 1967

Gross income (see note)		$1,913,000
LESS: Marketing, mining, milling and administration expenses		1,557,402
		$ 355,598
LESS: Preproduction expenses		54,730
Net Profit divided as follows:		
Grandroy Mines Limited	$ 150,434	
Campbell Chibougamau Mines Ltd. (No Personal Liability)	150,434	$ 300,868

NOTE: The income of the last quarter has been projected on the basis of the December settlement price.

GRANDROY MINES LIMITED

Statement of Deferred Expenditures

For the Year Ended December 31, 1967
(With comparative figures for 1966)

		1967	1966
DEVELOPMENT EXPENSE			
Balance — January 1		$ 235,349	$ 305,075
Additions during year			
Assays	$ 3,145		$ 57
Consulting fees			600
Diamond drilling	32,916		14,937
Geologists' fees and expenses	9,019		3,888
License and transfer fees	1,638		2,436
Line cutting			2,297
Maps and blueprints	531		880
Prospecting equipment and supplies			1,799
Surface exploration	41,331		2,063
Surface superintendence	5,705		
Surveys			2,435
Travelling and transportation	8,515		5,085
		102,800	36,477
		338,149	341,552
Deduct — Costs applicable to mining claims abandoned		27,815	106,203
		310,334	235,349
ADMINISTRATIVE EXPENSE			
Balance — January 1		111,923	97,308
Additions during year			
Advertising	$ 670		23
Automotive maintenance	537		519
General expenses	294		191
Bank charges	13		14
Legal and audit	1,962		825
Listing and sustaining fee	200		200
Office and stationery	1,382		631
Maps and blueprints			26
Telephone and postage	870		1,060
Engineering and consulting fees	1,485		1,590
Transfer agent and registrar fees	1,443		1,111
Travelling	64		216
Prospecting service			1,724
Interest (net)	584		(643)
Head office administrative	3,750		3,000
Reports to shareholders	1,128		811
Depreciation expense	779		1,113
Filing fees	425		360
Insurance	328		249
Capital and business tax	120		95
Directors' fees	2,000		1,500
		18,034	14,615
		129,957	111,923
		$ 440,291	$ 347,272

GRANDROY MINES LIMITED

Statement of Source and Application of Funds

For the Year Ended December 31, 1967
(With comparative figures for 1966)

		1967	1966
FUNDS WERE PROVIDED FROM			
Sale of investments		$ 27,172	
Net profit from joint venture with Campbell Chibougamau Mines Ltd. (No Personal Liability)		150,434	
Capital stock issued			$ 55,000
Net decrease in advance to subsidiary (wound-up in 1967)			1,296
		177,606	56,296
FUNDS WERE USED FOR			
Acquisition of mining claims			
130 claims, Baie Johan-Beetz area, Quebec		9,002	
33 claims, Portage River area, N.B.			2,181
2 claims, Hastings County, Ontario			246
Acquisition of option on mining claims			
37 claims, Portage River area, N.B.			7,500
Investments in shares of other mining companies			5,320
Deferred mine development and administrative expenses	$ 120,834		
Less expense not requiring a cash outlay — Depreciation expense	779	120,055	49,979
		129,057	65,226
WORKING CAPITAL			
Increase (Decrease) for the year		48,549	(8,930)
Balance (Deficiency) at January 1		(2,177)	6,753
Balance (Deficiency) at December 31		$ 46,372	$ (2,177)

Represented by:

	December 31 1967	1966	1965
Current Assets	$ 161,784	$ 314	$ 7,977
Current Liabilities	115,412	2,491	1,224
	$ 46,372	$ (2,177)	$ 6,753